

Annual Report  
2005-06

INDEPENDENCE  
TRUST  
DELIVERY  
INTERPRETATION

Independently advising on official statistics



Statistics Commission





Statistics Commission  
Annual Report  
2005-06

Presented to Parliament by the Financial  
Secretary to the Treasury by Command  
of Her Majesty

July 2006



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The Statistics Commission works with all those who fund, produce or use official statistics, to review practice and identify the scope for beneficial change, supporting present practice where appropriate.



## Chapter 1: Chairman's report



The 2005-06 financial year was both successful and challenging for the Commission, raising questions about our future whilst underlining the importance of our role – in essence to ensure that UK official statistics are produced and managed in the public interest.

During the year we published several reports including major ones on school education statistics, the arrangements for quality management of all official statistics, the statistical robustness of all the main government targets and an interim report on crime statistics. Each contains recommendations to government departments which we are now pursuing with them. Elsewhere in this report, there is a full account of the main issues we addressed. However, it was the Chancellor's announcement in November 2005 of plans to introduce a statutory framework for official statistics, and subsequent more specific Treasury proposals for legislation, which were the key events of the year and have direct implications for the governance of the entire UK statistical system. I therefore focus below on the big questions that now need to be resolved.

### Legislation

In March 2006 the Treasury published *Independence for Statistics: A Consultation Document*. This set out plans to create a

statutory board with oversight of official statistics to replace the existing arrangements – under which there are non-executive members on the current board of the Office for National Statistics, as well as independent members of the Statistics Commission. The Commission welcomed the Government's commitment to legislation but stressed that the responsibilities, accountability and constitution of the proposed board would be crucial.

We have since submitted our formal response to the consultation and presented evidence to the Treasury Sub-committee of the House of Commons which is carrying out its own inquiry. We hope now to see plans for legislation announced in the Queen's Speech in the autumn of 2006. That will be a crucial milestone. In developing our own views on the Treasury proposals, we have kept in mind the arguments in the report we published in 2004, *Legislation to Build Trust in Statistics*, and the messages from the report we prepared with MORI in 2005, *Official Statistics: Perceptions and Trust*.



*The Chancellor's announcement of plans to introduce a statutory framework was a major development.*

We also held a high-level seminar for 150 experts in May 2006 to stimulate public debate and inform our own thinking. All this has convinced us that the Government's plans will be a timely and valuable evolution of the earlier non-statutory *Framework* as long as, in their execution, key requirements are met.

For example, we believe it is essential for the new arrangements to relate to *all* official statistics, not just those that are currently the responsibility of ONS or labelled 'National Statistics' – a term with little real meaning presently. Many of the most politically sensitive and controversial statistics are produced by the major policy departments of government and are based on administrative data – crime, education, health, social security records – not on sample surveys. The new arrangements must recognise and engage with this broader and inter-connected statistical system.



In order to engage with all the statistical work carried out by many largely autonomous parts of government, a key component of the arrangements will need to be a statutory Code of Practice that will define the practices which government departments and other relevant bodies are expected to follow in collating and disseminating official statistics. We want to see this Code drafted by the National Statistician and approved by the proposed board rather than by government Ministers. Ministers should of course be consulted but we do not think their agreement to the terms of the Code should be a prerequisite. Moreover, it will need to cover issues that the current non-statutory Code does not fully address. These include the planning arrangements for the statistical service as a whole, user consultation and data release practices.

Funding arrangements will also need to be more transparent than they are currently – and auditable in relation to their adequacy to meet agreed plans. It would be counter-productive if the independence of official statistics were perceived to be undermined by an unclear



funding mechanism and suspicions of undue political influence.

### Independence

The Statistics Commission wants to see an end to the arrangements under which ministers decide which statistics should be regarded as 'National Statistics'. We also wish to see an end to the practice whereby Ministers have earlier access to statistical reports than other interested parties. This type of independence is of more fundamental importance than whether the Office for National Statistics is made into a non-ministerial government department – a central part of the current Treasury proposals but one which does not mean much to the world outside Whitehall.

The statistical service also needs a much more effective consultation mechanism, including targeted surveys to establish the real needs of users and their satisfaction with the statistical outputs. These must cover *all* user groups, not just those in central government.

Equally, it is essential, though not easy, to ensure that the messages are consistently extracted from the statistics. Clearly no-one can control the use of statistics in political debate but statisticians should provide publicly more interpretation

about what the data mean and how far they can be taken. In our view, all statistical series should be published with a frank commentary written in plain English. This should include some indications of the limitations of the data, for example whether a small change is really a meaningful one or likely just to be a 'blip'. Ministerial comment on the figures should normally be released only after the statistical statement is published.

Resources will always be in short supply. New information is needed in some areas whilst existing statistics may no longer be essential in others. As a consequence, effective and efficient use of public resources to create official statistics can only be achieved through co-ordinated planning across all government departments of official statistics, rather than simply being a matter for each individual department to address as if their statistical decisions had no bearing on anyone else.

### The Commission

As is good practice, we carried out a review of how well we are seen to have achieved our goals. This was based on a survey of stakeholders, a review of press coverage and an analysis of take-up of our research recommendations. The results, whilst not wholly uncritical, were



*A high-level seminar for 150 experts was held in May 2006 to stimulate public debate and inform our own thinking.*





overwhelmingly supportive. By these and other indications, we infer that we are having some positive effect. During the Treasury consultation, the importance of the Commission's role has been highlighted by many contributors. We are seeking to ensure that this is not lost or diluted under the new arrangements although we have accepted that the Commission in its present form will need to be replaced under a statutory framework.

I would like to pay special tribute to two key personalities who left the orbit of official statistics in the year. One was Len Cook, the National Statistician since 2000, who has now been succeeded by Karen Dunnell. Just as we are sorry to lose Len's effervescent presence at the helm, we welcome Karen, who has immense experience of UK official statistics, to her new and undoubtedly challenging role. The other notable departure was that of Dame Patricia Hodgson, whose term of

office as a member of the Statistics Commission came to an end in the year. She was one of the prime architects of the Commission's views on the need for a statutory framework. Her place on the Commission has been taken by Joly Dixon who brings with him vast experience of the use of official data in the European Commission and beyond.


We have much important work to do in the year ahead and I look forward to reporting on it in due course.

*David Rhind*

Chairman



*The photographs in this and the following chapters are of participants in Commission meetings including the May 2006 seminar on legislation.*



Through its research, the Commission has established a public profile with Parliament and Government. We have also pursued more active engagement with the news media to achieve greater recognition for our advice and recommendations.



## Chapter 2: Issues and stakeholders

In his report in Chapter 1, the chairman highlights issues that bear on public confidence in official statistics, including the part that new legislation should play. Here we look at some of the other concerns of the Commission and how we are addressing them with stakeholders. As in previous years, our research findings have underscored the importance of good communication of statistical messages, weaknesses in user consultation and the need for transparent planning (of statistical services) across the whole of government.

### Communication

Most of the more important figures are published with a statistical commentary written by professional statisticians. But this commentary is given little attention by the media and public commentators who instead focus on the press notices issued, often simultaneously, by Ministers and departments. In the interests of developing a distinct statistical voice, we want to see the statistical commentary

produced in a way that secures attention without losing its balance and independence. One possible strategy to focus more attention on the statistical comments would be to introduce a time delay after the statistics come out before Ministerial comment can be issued; and for the statisticians to offer fuller and more readily understood commentary on the figures - explaining in plain English the strengths and limitations of the statistics in the context of their likely use. The Commission is pursuing these ideas in relation to the future governance arrangements.

However communication is not just about clear statistical statements: we need improved design of reports and websites to make the plethora of official statistics more accessible to those who wish to use them. In response to widespread concerns about the utility of statistical sources, we have started a research project to look into questions of accessibility and will be reporting in 2006-07.



### User consultation

Users of statistics outside central government often complain about the inadequacy of consultation arrangements designed to ensure that their needs are identified and that these inform statistical planning. One recurring manifestation of this is the difficulty in finding comparable data for the four UK administrations – a point made forcefully at our Open Meeting in November 2005. We have more recently been promoting the case for a better coordinating mechanism which would ensure harmonised statistics where these are needed whilst also accepting that the different administrations should sometimes adopt different statistical solutions where their needs justify that. In some cases it should be possible to produce both harmonised UK statistics and additional ones for local use.

### Statistical planning

Statistical planning across government is piecemeal with individual departments taking decisions on their future statistical activities largely autonomously and with little systematic engagement with those who will use the statistical data to inform decisions. The Commission has stressed the case for a more structured and co-ordinated approach across government, informed by improved user consultation. We hope that under a statutory framework, as proposed by the Treasury, a way can be found to bring high level statistical planning together under the auspices of the National Statistician. She currently has little direct authority over the statistical work of departments other than ONS.

### Code of Practice

The National Statistics Code of Practice sets out the principles and practices that government departments and agencies should follow in producing and publishing official statistics. Much of it is non-prescriptive in nature and requires no specific evidence of compliance. The evidence that does exist thus refers only to certain detailed aspects, particularly those dealing with the public release of statistical information. Annex D sets out cases, arising in the year, in which the Commission was concerned about compliance with these more specific areas. In July 2005, the chairman of the Commission wrote to permanent secretaries in Whitehall and the devolved administrations about the Commission's interpretation of the broader aspects of the Code and we will be following this up in 2006 by reporting on ways to strengthen the Code under the new statutory framework that the Treasury has proposed.

### Reaction to past recommendations

Whilst our recommendations have not always prompted a rapid or joined-up response from Whitehall departments, there are now signs of growing acceptance that the arguments the Commission puts forward reflect valid concerns. The Office for National Statistics has a good track record of responding to points raised by the Commission in recent years but many of our recommendations are directed towards other departments which have not always been so willing to engage with us. We hope that the proposed statutory framework will help to resolve this.



### Parliament

The chairman and colleagues gave evidence to the Treasury Sub-committee in November 2005. The committee was particularly interested in issues of public trust in official statistics and our work on PSA targets and quality management. The TSC is currently (June 2006) holding an inquiry into the Treasury's legislative proposals.

### Open Meeting

Our annual Open Meeting is designed to stimulate public debate with and between our various stakeholders. Nearly 100 people joined us on 16 November 2005 to hear invited speakers give presentations on statistical governance: John Pullinger, chairman of the Royal Statistical Society's National Statistics Working Party; Karen Dunnell, the National Statistician; and Dame Patricia Hodgson, a member of the Commission. A full report is available on the Commission's website.





### Office for National Statistics

The Commission has regular dialogue with the Office for National Statistics. Where the Commission can do so without compromising its independent view, it invites ONS to contribute directly to its research projects. This can take the form of senior level advice to project boards or more substantive research, as in the cases of our reports on statistical quality management and work on the level of public trust. The Commission secretariat also contributes directly to ONS projects from time to time.

### Government Statistical Service

As part of our ongoing dialogue with the wider Government Statistical Service (GSS), senior statisticians in government departments and devolved administrations accepted the Commission's invitation to a meeting in May 2005 to build an understanding of the views and issues which are common across departments and to discuss how

we could take the dialogue forward. Topics covered ranged from the use of administrative data, reliability and user engagement, to the role of the National Statistician and the Code of Practice. The Commission also visited the Home Office, the Department for Transport and HM Revenue and Customs in the year to understand better the priorities, challenges and statistical operations of these departments.

### Devolved administrations

The first in a series of lunchtime seminars addressing statistical requirements in the devolved administrations was held in Cardiff in February 2006. The seminar, titled 'Do we have the data we need to understand the economy in Wales?' included four presentations from experts in the field. A similar event is planned in Scotland in September 2006. Prior to the Cardiff seminar, the chairman and colleagues had meetings with the Welsh Assembly Minister responsible for statistics, the permanent secretary, and





officials in the Assembly and local government. Regular dialogue was also maintained with the other administrations.

### Royal Statistical Society/Statistics User Forum

Discussions took place in the year with the Statistics Users Forum (SUF), the Royal Statistical Society (RSS), and the Economic and Social Research Council (ESRC) about the future role of SUF. All parties agreed that SUF should be supported in developing into an increasingly influential part of the consultative arrangements that will, in turn, underpin an effective cross-government statistical planning system.

In line with our continuing commitment to the Forum, the Commission provided financial support for the SUF conference in November 2005 at the Royal Society, on the theme of neighbourhood and regional statistics.

### Overseas organisations

The year saw an expansion of the Commission's contact with international organisations and statistical offices overseas. The chairman and chief executive had a series of meetings in Canada with Statistics Canada, the UNESCO statistical office and other bodies. The chief executive also attended the United Nations Statistical Commission as an observer in March 2006.

Statistical governance is a key concern for the Statistics Commission – one that cannot be considered in isolation from the wider statistical community in Europe and internationally. Statistical advisory bodies, in their various forms, play an important role in governance structures around the world. As a preliminary to visiting the director general of Eurostat and his colleagues in September 2005 to discuss statistical governance, the Commission prepared a note (available on Commission website) outlining the particular characteristics of the UK Statistics Commission which was intended to inform thinking in relation to a new European body.

It was with particular sadness that the Commission learned of the death of Gunther Hanreich, director of Eurostat, later in the year.

INTERIM REPORT

LIST IN STATISTICS

SEMINAR: SCHOOL LEVEL EDUCATION STATISTICS

CONTRIBUTION OF THE RPI AND RPI GOVERNANCE

HEALTH STATISTICS: USER PERSPECTIVES

ESTIMATES AND THE 2001 CENSUS IN WESTMINSTER

ENGLISH PRIMARY SCHOOLS

OPERATIONS AND TRUST, INCORPORATING TRUST IN OPERATIONS

PUBLIC FINANCES: ESTIMATES OF DEPRECIATION FOR PUBLIC FINANCES

STATISTICS: USER PERSPECTIVES

OFFICIAL STATISTICS

THE UK STATISTICAL SYSTEM

THE DETAIL

Among several reports we published in 2005-06 were ones on revisions to public sector finances, on school education statistics and on statistical aspects of government targets. We also reported on how external stakeholders saw the Commission itself.

CRIME STATISTICS: USER PERSPECTIVES

REPORT NO. 18: LEGISLATION

REPORT NO. 19: REPORTS

REPORT NO. 20: CHANGING

REPORT NO. 21: ENHANCING

REPORT NO. 22: CENSUS

REPORT NO. 23: MEASURING

REPORT NO. 24: OFFICIAL

REPORT NO. 25: REVISIONS

REPORT NO. 26: SCHOOLS

REPORT NO. 27: MANAGEMENT

REPORT NO. 28: IMPACT

REPORT NO. 29: PSAs

## Chapter 3: Reports and research

Here we summarise the findings from our research reports. Annex E highlights some further concerns that were brought to our attention and which we investigated in the year.

During the year we published research reports on:

- perceptions of the Commission
- revisions to public sector finances
- user perspectives on school education statistics
- quality management of official statistics
- processes of compiling and publishing crime statistics
- impact of EU statistical requirements on the UK
- statistical aspects of PSA targets.

The full texts of all Statistics Commission reports are available on our website.

Set out on the following pages are some of the main points from the reports.

### Perceptions of the Commission research

([www.statscom.org.uk/media\\_pdfs/reports/Perceptions\\_internalreport.pdf](http://www.statscom.org.uk/media_pdfs/reports/Perceptions_internalreport.pdf))

In mid-2005 the Statistics Commission had been in existence for some five years and this seemed an appropriate point at which to assess our impact on statistical work in government over that period and to gauge the views of our various stakeholders. Under the umbrella of this research, we developed three strands: a questionnaire-based survey addressed to 243 stakeholders from inside and outside government; an analysis of media coverage of the Commission in 2002-2005; and an assessment of the take-up and impact of Commission research recommendations 2003-2005.

Whilst the results were overwhelmingly positive about the Commission's role, we did identify some important messages for the future:

- We need to be still more active in our communication with external stakeholders. We are now considering more effective ways to deliver our message, especially to Parliament and central government, as well as developing our engagement with devolved administrations and building alliances with other organisations.
- There is considerable support for a *statutory body* responsible for scrutiny of the statistical service and answerable to Parliament to replace the current non-statutory arrangements.

- Our more active engagement with the media has been effective in achieving greater recognition and influence but there is scope to go further. A constraint here is that the accuracy of press reporting on Commission activities, and indeed statistical matters generally, is variable and unpredictable.
- We need a clear short statement of the Commission's role for public consumption (instead of 'watchdog') which stresses the advisory role that government has given the present body.

Report No. 25:

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*Revisions to Public Sector Finances:  
Estimates of Depreciation for the Road  
Network*

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June 2005

([www.statscom.org.uk/media\\_pdfs/reports/025%20-%20Roads-\\_Rep\\_Rev\\_Public\\_Sec\\_Finances.pdf](http://www.statscom.org.uk/media_pdfs/reports/025%20-%20Roads-_Rep_Rev_Public_Sec_Finances.pdf))

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Following an examination of the background to changes to the *Public Finance First Release*, the Commission accepted the case ONS had made for revisions to correct a problem of double counting in relation to depreciation on roads.

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This issue arose out of controversy over the proper counting of expenditure on road repairs, as announced in the *Public Finance First Release* on 18 February 2005. The suggestion in some of the news stories that followed was that the nature and timing of the proposed changes may have been influenced by political considerations. Following an examination of the background to the changes, the Commission endorsed the case for making the revisions which corrected a complex problem in relation to depreciation on roads. On the basis of the many papers available to us, we saw no evidence of any inappropriate involvement of Ministers or policy officials. On the question of the way the revision was made, we noted that there were, and remain, essentially two accounting options which have different effects at more detailed levels of the national accounts but have the same effect on the fiscal aggregates.

Report No. 26:

*School Education Statistics:  
User Perspectives*

June 2005

([www.statscom.org.uk/media\\_pdfs/reports/026\\_School\\_Education\\_Report\\_User\\_Perspectives.pdf](http://www.statscom.org.uk/media_pdfs/reports/026_School_Education_Report_User_Perspectives.pdf))

Official education statistics have improved substantially in recent years and there is now a wealth of valuable data available for people who need such information to guide their decisions. However some users of statistics need more guidance and support.

The Statistics Commission invited the National Foundation for Educational Research (NFER) to carry out a review of UK primary and secondary school education statistics, focusing on the extent to which the needs of users of statistics, both within the education sector and more generally, were being met. This was completed in June 2005 and was the second in an ongoing series of reviews of statistics relating to major areas of policy; the first was of health statistics.

We concluded that the range and detail of official education statistics had been extended substantially in recent years but there were signs that some potential users of the statistics needed more support and guidance. There were also a few gaps and inconsistencies in the otherwise impressive coverage of the statistics.

We recommended that:

- The four UK administrations should each aim to improve the transparency of their planning processes for education statistics.
- The producers of the statistics should re-assess whether the scope and nature of existing statistical databases, reports and other outputs are likely to meet the needs of the full range of potential users.
- The four UK administrations should each make a commitment to ongoing participation in international comparative studies of education performance.
- Full and informative statistical commentary should be provided alongside the figures to guide users.
- In the interests of users of statistics, including parents, a consistent approach should be taken across the UK to the publication of examination and test results for individual schools.

## Published reports

Report No. 27:

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*Managing the Quality of Official Statistics*

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October 2005

([www.statscom.org.uk/media\\_pdfs/reports/QualityManagementReport.pdf](http://www.statscom.org.uk/media_pdfs/reports/QualityManagementReport.pdf))

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The quality of official statistics is fundamental to the quality of decision-making at all levels in society and to the trust citizens place in their government. Although the definition of quality in statistics is not straightforward, there should be greater emphasis on 'fitness for purpose' rather than on more abstract or highly technical concepts such as 'accuracy'. Fitness for purpose should be the foundation for a set of quality standards.

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Under the *Framework for National Statistics* quality management of statistics across government is the responsibility of the National Statistician. Our report concluded that a clear, strong statement of the National Statistician's authority in respect of quality assurance and management would be helpful in enhancing public trust in official figures. An audit-based approach to quality reviews was recommended, with the National Statistician taking a central role in setting the agenda and guiding the programme of reviews.

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*Crime Statistics: User Perspectives – Interim Report*

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December 2005

([www.statscom.org.uk/media\\_pdfs/reports/crime\\_stats\\_interim\\_report.pdf](http://www.statscom.org.uk/media_pdfs/reports/crime_stats_interim_report.pdf))

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The process of compiling and publishing crime statistics should be put at arm's length from the policy functions of government and be seen to be so. We think that the interests of all parties, including those of the government itself, would be served by taking early steps in this direction.

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In August 2005, the Statistics Commission initiated a review of official statistics relating to crime and appointed Matrix Research and Consultancy to lead the research. The Commission's interim report, published in December 2005, identified five important issues: public trust in crime figures, measurement of the fear of crime, measures of total crime, international comparisons and getting the best from data held by local police forces. We discussed these matters with the then Home Secretary who subsequently announced the establishment of an independent cross-party review of the issues. These will be explored in greater depth in the final report, due to be published in September 2006.

Report No. 28:

*Impact of European Demands on the UK Statistical System*

January 2006

([www.statscom.org.uk/media\\_pdfs/reports/EUdemands\\_on\\_UKstats.pdf](http://www.statscom.org.uk/media_pdfs/reports/EUdemands_on_UKstats.pdf))

The demands placed on the UK statistical system by European legislation and other European agreements constrain the statistical service but also offer potential benefits to UK users of statistics, not least through increased comparability between countries of the UK and across the EU.

We looked at some of the benefits and burdens of EU requirements and considered ways in which the UK might manage those demands to maximise the benefits to users. We found substantial overlaps between demands for statistics within the UK and at the European level and that UK officials play an important role in shaping the development of the current European system. However, we identified scope for greater openness and transparency:

- We would like to see more evidence that the full range of costs and benefits are being taken into account in prioritisation of EU demands.
- The transparency and visibility of the UK government's contribution to the development of EU statistical regulation needs to be enhanced.
- More opportunities should be created for individual users (either organisations or people) to influence EU requirements, or the UK position on those requirements.
- Consultation on statistical requirements should be organised more coherently.



Report No. 29:

*PSA Targets: the Devil in the Detail*

March 2006

([www.statscom.org.uk/media\\_pdfs/reports/Final%20PSA%20Targets%20Report.pdf](http://www.statscom.org.uk/media_pdfs/reports/Final%20PSA%20Targets%20Report.pdf))

The targets set by, and for, government departments are important to those expected to deliver them, to clients of public services likely to be affected by them and for those judging whether the administration of the day is delivering on its commitments. Our concern is to assess whether the statistical evidence used to support Public Service Agreements is adequate for that purpose.

We reviewed each of the 109 individual targets associated with the allocation of resources from the 2004 Spending Review and recommended that government departments follow up issues that we identified for specific targets. We also made a number of high-level recommendations:

- 'Technical Notes' should be developed into more comprehensive Target Protocols which would also cover broader issues, including the rationale for the target, an indication of data quality, historical data for key measures, and details of how performance will be evaluated.

- A brief record should be kept by departments of the more substantive decisions (on policy, resources, structures, management) that had been influenced by the monitoring of each quantified PSA target.
- A robust cross-government planning system for official statistics is needed so that future data requirements (to support the setting of targets) can be picked up at the earliest possible stage and fed effectively into the allocation of departmental resources.
- Government departments should pay more attention to data quality issues.
- This report was initially issued in draft form in October 2005, prompting a number of detailed comments and observations, many from government departments. We worked through these systematically, taking on board valid observations whilst maintaining our independent perspective and published the final report six months later.







# DELIVERY

The Commission's main objectives are to understand the needs of users of official statistics, make proposals to enhance the service and advise on future governance arrangements.



# ACCESS

## Chapter 4: Forward look

The Commission has a number of projects either already in train or planned for 2006-07. The Statistics Commission Business Plan is updated twice a year to take account of our assessment of public priorities and competing demands on our resources.

The 2006-07 Plan identifies three objectives:

### Objective 1:

To develop our understanding of the **needs of users** of official statistics, including Parliament and the public, and to make proposals that will enhance the statistical service to all users.

### Objective 2:

To consider and advise on the Government's current proposals in relation to the future **governance of official statistics**.

### Objective 3:

To carry out the Commission's functions impartially and use resources efficiently, effectively and economically.

### Objective 1: Main projects 2006-07

- **Devolution issues:** Further examine the need for a) greater comparability of statistics across the UK and b) the need for local statistical services in the devolved administrations; and make recommendations relating to the government machinery for addressing these issues.
- **Crime statistics:** Complete the current review of crime statistics, examining adequacy, use made in decision making, methodological issues and needs of users. To report September 2006.
- **Review the statistical use of tax data:** Undertake a review of tax data, looking *inter alia* at legal and other restrictions on data sharing. Aim to report Autumn 2006.

- **Accessibility of data:** Undertake a review of data accessibility from a user perspective, examining the provision of adequate metadata, data quality and format. Aim to report end of 2006.
- **'Use made' research:** Undertake a study of the use actually made of official statistics by organisations and individuals in decision-making. The study will illustrate wider needs by identification and discussion of specific examples. Aim to report in 2007.
- **National Statistics planning:** Consider and comment to Ministers on the *National Statistics Work Programme 2006/07 – 2008/09* and the *National Statistics Annual Report 2005-06*.
- **2011 Census planning:** Review the planning for the 2011 Census and look ahead to future challenges and issues. Aim to report early 2007.

#### Objective 2: Main projects 2006-07

- **Legislation:** to advise on current proposals; in particular to advise on the role, responsibilities, accountability and constitution of the proposed Governing Board.
- **Impact assessment:** Assess the impact and future relevance of recommendations in previous Commission reports and prepare a consolidated overview for publication in 2007.
- **Public trust:** Consider further the issues raised in our report *Official Statistics: Perceptions and Trust* published in 2005.

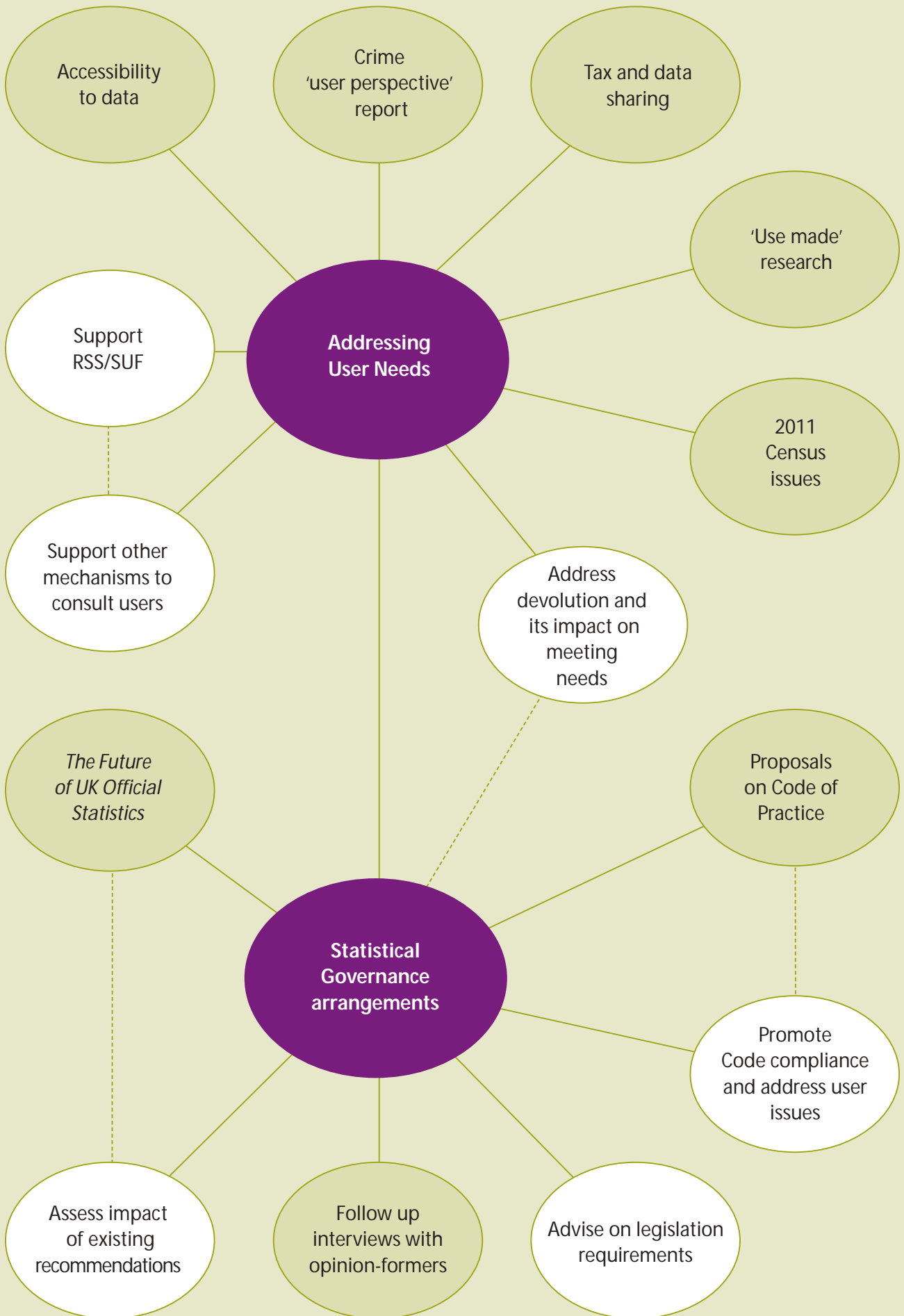
- **Code of Practice:** Make recommendations in relation to the future development of the Code of Practice - a report is now planned for late 2006.

#### Objective 3: Main projects 2006-07

- **Value to stakeholders:** take action to address the issues identified in the February 2006 report *Perceptions of the Statistics Commission*
- **Business processes:** Maintain systematic procedures for managing the work of the Commission. This will include regular updates of the Business Plan and individual project plans, and adherence to project management procedures.
- **Website usability:** Building on the positive feedback from users, further improvements to the Commission's website will be implemented to enhance usability.
- **Staff development:** Review and update the training and development framework for all staff to meet the needs of the Commission.
- **Business continuity:** Test disaster recovery procedures and update the Business Continuity Plan accordingly.
- **Risk register:** Review and update the risk register twice a year in January and July.

# Summary of Key Projects 2006-07

□ Indicates projects expected to lead to a Commission report in 2006-07.



# INDEPENDENCE

The Commission aims to ensure that official statistics can be trusted by, and meet the needs of, decision-makers, other users and the public.

## Annex A: The role of the Commission

The Statistics Commission is an independent non-statutory public body sponsored by HM Treasury. It was set up in June 2000 to “help ensure National Statistics are trustworthy and responsive to public needs”, to “give independent, reliable and relevant advice” and by so doing to “provide an additional safeguard on the quality and integrity of National Statistics”. It operates openly and independently of Ministers and the producers of statistics.

We have adopted the following objectives from April 2006:

### Objective 1:

To develop our understanding of **the needs of users** of official statistics, including Parliament and the public, and to make proposals that will enhance the statistical service to all users.

### Objective 2:

To consider and advise on the Government’s current proposals in relation to the future **governance of official statistics**.

### Objective 3:

To carry out the Commission’s functions impartially and use resources efficiently, effectively and economically.

### Strategy

Bearing in mind the strategic issues discussed in the Commission’s Business Plan, the current strategy is to:

- make proposals to strengthen the non-statutory arrangements for the management of UK official statistics (to the extent that these are not replaced by a statutory framework)
  - pursue, through correspondence and dialogue, the numerous proposals and recommendations that the Commission has made in recent years
  - undertake, or commission, research and produce public reports
  - support and supplement existing channels of communication between users and producers of official statistics
  - foster a constructive dialogue with the Office for National Statistics, other government departments, the devolved administrations and other public bodies with substantial responsibility for official statistics
  - explore issues of concern raised with the Commission on statistical matters, making recommendations where appropriate.
- continue to promote the case for a statutory Code of Practice binding on all government departments and agencies and overseen by an independent board/commission
  - urge government to use the forthcoming legislation to make all UK official statistics subject to this statutory Code and oversight arrangements

## Values

In carrying out its tasks the Commission commits itself:

- to respect and promote all uses of official statistics that are of public value
- to report the results of all its investigations openly and deal systematically with criticism of its work, seeking to learn lessons and continuously improve
- to consult interested parties before the release of Commission findings so as to understand and respond to their views – without shrinking from giving an independent view on controversial issues
- to operate in a transparent way with the minutes of its meetings, correspondence, evidence it receives, and advice it gives, normally made available on the Commission's website
- to present its views in an impartial way.

## Annex B: Who we are

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### The Commission:

1. *Chairman*  
**Professor David Rhind**
2. *Vice Chairman*  
**Sir Derek Wanless**

### The Commissioners:

3. **Ian Beesley**
4. **Colette Bowe**
5. **Sir Kenneth Calman**
6. **Joly Dixon**
7. **Dame Patricia Hodgson**
8. **Dr Isabelle Low**
9. **Janet Trewsdale**
10. **Martin Weale**
11. *Chief Executive*  
**Richard Alldritt**





At the end of 2005 three commissioners had completed their second terms of office. Dame Patricia Hodgson decided to step down from the Commission. As a result of the recruitment exercise in December 2005, commissioners Sir Kenneth Calman and Martin Weale were both reappointed for a final term, the former until 31 January 2007 and the latter until 31 January 2008. Two further commissioners were also appointed. Joly Dixon took up office on 1 February for three years in the first instance. Dr Isabelle Low will be joining the Commission on 1 July, also for three years.

## The Commission

### *Chairman*

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#### **Professor David Rhind**

David Rhind is Vice-Chancellor and Principal of The City University in London. A Fellow of the Royal Society and an Honorary Fellow of the British Academy, he was until 1998 the Director General of Ordnance Survey, Britain's national mapping organisation and a government department. He has recently been appointed as a non-executive director on the Bank of England's Court of Directors, has been a member of the Economic and Social Research Council and is a Fellow of the Royal Statistical Society. In past times, he was centrally involved in building or using major statistical databases, notably of census data. He was appointed through the normal competitive process as chairman in May 2003.

### *Vice Chairman*

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#### **Sir Derek Wanless**

Sir Derek Wanless is a director of Northern Rock plc and Northumbrian Water Group plc and a trustee of the National Endowment for Science, Technology and the Arts. In 2002 he reported on UK health services to the Chancellor of the Exchequer and, in 2004, on Public Health to the Prime Minister, Chancellor and Secretary of State for Health. He has also advised the Welsh Assembly Government. He worked for NatWest Bank for 30 years and was its Group Chief Executive for seven years. In 2006 he completed the Wanless Social Care Review for the King's Fund. He has an MA in Mathematics from Cambridge University and qualified as a Member of the Institute of Statisticians (MIS).

## Commissioners

### Ian Beesley

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Ian Beesley is a retired senior partner at PricewaterhouseCoopers who now runs his own strategy consultancy. He is a Fellow of the Royal Statistical Society and of the British Institute of Management. As a consultant he worked with organisations in the media and arts, defence, UK and foreign public sector and with international agencies. Before joining PWC in 1986, he was head of the Prime Minister's Efficiency Unit. He started his career in the Central Statistical Office working in the fields of balance of payments, national accounts and monetary policy. He has an MA in politics, philosophy and economics, and a Post Graduate Diploma in statistics, both from Oxford University.

### Colette Bowe

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Colette Bowe is the chairman on the Ofcom Consumer Panel. She is also deputy chairman of Thames Water Utilities, and a board member of Axa Farlington, the Yorkshire Building Society and Morgan Stanley Bank International. She is the chairman of the Council of Queen Mary University of London and also a member of the Council of Management of the National Institute of Economic and Social Research and a board member of Camden Peoples' Theatre. She has a PhD in Economics.

### Sir Kenneth Calman

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Sir Kenneth Calman is Chancellor of the University of Glasgow and Vice-Chancellor and Warden of the University of Durham. Before that he was Chief Medical Officer for the Department of Health and chaired the Executive Committee of the World Health Organisation. He was previously the Chief Medical Officer for Scotland. He is a Member of the Nuffield Council on Bioethics. He is a surgeon by training and has a particular interest in the field of cancer treatment and research.

### Joly Dixon

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Since 2003 Joly Dixon has been chairman of the Board of Governors, Indirect Tax Authority for Bosnia and Herzegovina. Prior to this he spent nearly 30 years at the European Commission, holding a variety of senior posts including: principal advisor to the Director General for Economic and Financial Affairs, working mainly on EU enlargement and relations with the Balkans; Director for International Affairs, leading the team advising on the economies of candidate countries and other main economic partners; and Deputy Special Representative of the Secretary General in the UN's Mission in Kosovo, where he was in charge of economic reconstruction. He was also special advisor to European Commissioner Pascal Lamy from 2003-2004. His career began as a lecturer in economic statistics and econometrics at York and Exeter Universities. (From 1 February 2006)

### Dame Patricia Hodgson

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Dame Patricia Hodgson is chair of the Higher Education Regulation Review Group, a Governor of the Wellcome Foundation and a member of the Committee for Standards in Public Life. She is a non-executive director of GCAP Media plc and the Competition Commission. Until the beginning of 2004 she was chief executive of the Independent Television Commission and, before that, a main board director of the BBC. She also served for six years as a member of the Monopolies and Mergers Commission. (Until December 2005)

## Commissioners (continued)

### Isabelle Low

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Dr Isabelle Low became a member of the Accounts Commission for Scotland in 2001 and has been its deputy chair since 2003, also chairing its Performance Audit Committee. She is currently a board member of: the Scottish Consumer Council; the David Hume Institute; and the Financial Director of the Year Awards and until recently was a board member of the State Hospitals Board for Scotland. From 1997 to 2001 she held senior posts in the Scottish Executive, including: director of 21st Century Government Group, leading the process of modernising government Scotland-wide; Head of Land Use Division; and Head of Constitutional Policy Division. Prior to that she spent 20 years at the Scottish Office, where her roles included: Head of Management and Organisation Division; Director of Health Care for the NHS in Scotland; and Head of Employment Division. (From 1 July 2006)

### Janet Trewsdale

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Janet Trewsdale was, until last year, chairman of the Northern Ireland Economic Council and senior lecturer in Economics at The Queen's University of Belfast. She is a Chartered Statistician. She is a past vice-president of the Royal Statistical Society (RSS) and member of the Statistics Advisory Committee (NI). She represented the RSS on the Statistics Users' Council for 19 years.

### Martin Weale

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Martin Weale is the director of the National Institute of Economic and Social Research and has written widely on economic statistics. He previously lectured in Economics at Cambridge University, where he was a Fellow of Clare College. Before that he worked in the National Statistical Office in Malawi. He is an Honorary Fellow of the Institute of Actuaries and Treasurer of the Alzheimer's Research Trust. The European Commission has recently adopted proposals from a project he led for producing prompt estimates of economic growth in the Euro Area. He holds an Sc. D. in Economics from Cambridge University.

### *Chief Executive*

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### Richard Alldritt

Richard Alldritt is the chief executive of the Statistics Commission. He has worked in several government departments including the Home Office, Office for National Statistics and the National Assembly for Wales where he was most recently head of Information and Knowledge Management. Before that he was head of the Statistical Directorate in the Welsh Office and Welsh Assembly.

## Our committees

### Audit Committee

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Sir Derek Wanless (chairman)  
John Gant\*  
Linda Peacock\*

### Devolution and Regional Sub-committee

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Janet Trewsdale (chairman)  
Sir Kenneth Calman  
Sir Derek Wanless

### Research and Review Sub-committee

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Martin Weale (chairman)  
Colette Bowe  
Sir Kenneth Calman  
Carolyn Sinclair\*

### Legislation Working Group

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David Rhind (chairman)  
Sir Derek Wanless  
Joly Dixon

### Review of Crime Statistics Project Board

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Martin Weale (chairman)  
Chris Fox (Matrix)\*\*  
Professor Tim Hope (Keele University)\*\*  
Jon Simmons (Home Office observer)  
Carolyn Sinclair\*

### Review of School Education Statistics Project Board

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Janet Trewsdale (chairman)  
Malcolm Britton (Department for Education  
and Skills observer)  
Peter Rudd (National Foundation for  
Educational Research) \*\*  
Ian Schagen (National Foundation for  
Educational Research) \*\*  
Martin Weale

### Perceptions of the Commission Project Board

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David Rhind (chairman)  
Simon Brooks (HMT)  
Brian Gosschalk (MORI)  
Mike Hughes (ONS)

\*consultants

\*\*project contractors

## Annex C: Plans and performance 2005-06

Performance against the 2005-06 Forward Look included in the Annual Report 2004-05

ACTIONS PLANNED	PERFORMANCE
<p><b>Devolution research:</b> Examine the comparability of statistics across the UK and assess a) the need for common UK datasets and b) the adequacy of the government machinery for handling devolution issues relating to statistics.</p>	<p>Meetings held with a range of users and producers in Scotland, Wales and Northern Ireland. Report of Welsh seminar published March 2006. Further seminars planned.</p>
<p><b>Education statistics:</b> Complete the review of school education statistics with NFER. Aim to report summer 2005.</p>	<p>Final report published June 2005.</p>
<p><b>Crime statistics:</b> Undertake a review of crime statistics. Aim to report May 2006.</p>	<p>Seminar of experts in crime statistics held October 2005. Interim report published December 2005. Final report to be published September 2006.</p>
<p><b>PSA targets:</b> Prepare a report on the statistical robustness of quantified targets in Public Service Agreements across government. Aim to report summer 2005.</p>	<p>Draft report published October 2005. Final report published in March 2006</p>
<p><b>'Excessive use':</b> Produce a published paper on the over-use and misuse of official statistics and make proposals.</p>	<p>Partly addressed in the PSA targets report. This continues to be an issue.</p>
<p><b>'Use made' research:</b> Research the actual use made of official statistics – on a sample basis – in decision-making across government and draw conclusions. Aim to report in 2007.</p>	<p>A research proposal has been agreed and work has commenced.</p>
<p><b>European project:</b> Examine the impact on UK users of incorporating EU requirements into national statistical systems and invite similar contributions from other countries.</p>	<p>Final report published in February 2006.</p>
<p><b>National Statistics planning:</b> Consider and comment to Ministers on the <i>National Statistics Work Programme 2005/06 – 2007/08</i> and the <i>National Statistics Annual Report 2004-05</i>.</p>	<p>Letter sent to the Financial Secretary to the Treasury in September 2005.</p>
<p><b>Revisions to statistics:</b> Monitor developments in this area, in the context of the recommendations of the review of revisions to economic statistics, published in April 2004.</p>	<p>Letter sent to ONS about construction statistics in November 2005. ONS published update on progress towards Commission's recommendations in December 2005.</p>
<p><b>Legislation:</b> Promote the case for primary legislation as recommended in the report <i>Legislation to Build Trust in Statistics</i>.</p>	<p>Superseded by Chancellor's announcement to legislate for independence for official statistics.</p>

ACTIONS PLANNED	PERFORMANCE
<p><b>Framework review:</b> Contribute to the government review of the non-statutory arrangements in the <i>Framework for National Statistics</i>.</p>	<p>Wrote to the Financial Secretary to the Treasury in September 2005. Held discussions with HM Treasury, ONS and others. HM Treasury published consultation document <i>Independence for Statistics</i> on 22 March 2006.</p>
<p><b>Quality reviews:</b> Review UK official statistics quality management, including the National Statistics quality review programme.</p>	<p>Final report published October 2005</p>
<p><b>Public confidence:</b> Take further steps to assess the level of public confidence in official statistics, and identify the underlying reasons.</p>	<p>Commission is considering further interviews with stakeholders. Letters sent to Permanent Secretaries in July 2005.</p>
<p><b>Code of Practice:</b> Make recommendations relating to the interpretation of the National Statistics Code of Practice.</p>	<p>More detailed work to be done in 2006.</p>
<p><b>Value to stakeholders:</b> Establish a regular assessment of the Commission's value in the eyes of stakeholders.</p>	<p>Commission surveyed over 240 individual stakeholders and produced a report in February 2006.</p>
<p><b>Value of research:</b> Assess the impact of Commission-funded research projects and make results available publicly.</p>	<p>Impact assessment undertaken and results produced in a report in February 2006.</p>
<p><b>Business processes:</b> Maintain systematic procedures for managing the work of the Commission. This will include regular updates of the Commission Plan, maintenance of Issue Summaries and individual project plans, and adherence to project management procedures. A 'Potential Actions List' has also been developed to record all matters raised with or by the Commission.</p>	<p>Business plan and project plans all updated regularly.</p>
<p><b>Website usability:</b> Monitor and improve the Commission's website to enhance usability.</p>	<p>Contractor to maintain website and recommend enhancements.</p>
<p><b>Staff development:</b> Review and update the training and development framework for all staff to meet both the short and long term needs of the Commission.</p>	<p>Framework updated and training priorities for staff reviewed.</p>
<p><b>Business continuity:</b> Maintain disaster recovery procedures and update the Business Continuity Plan accordingly.</p>	<p>Disaster recovery plans tested successfully August 2005 and Business Continuity Plan updated.</p>
<p><b>Risk register:</b> Review and update the risk register twice a year in January and July.</p>	<p>Risk register updated July 2005 and January 2006. Changes reviewed by Internal Audit and Audit Committee.</p>



## List of publications and presentations 2005-06

### Reports

*Revisions to Public Sector Finances: Estimates of Depreciation for the Road Network.*

Statistics Commission Report No. 25, June 2005

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*School Education Statistics: User Perspectives.*

Statistics Commission Report No. 26, Incorporating: Review of Schools Education Statistics by National Foundation for Educational Research, June 2005

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*Managing the Quality of Official Statistics.*

Statistics Commission Report No. 27, October 2005

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*Crime Statistics: User Perspectives –* Statistics Commission Interim Report, December 2005

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*Impact of European Demands on the UK Statistical System.*

Statistics Commission Report No. 28, February 2006

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*PSA Targets: the Devil in the Detail.*

Statistics Commission Report No. 29, March 2006

All the above are available on our website:  
[www.statscom.org.uk](http://www.statscom.org.uk).

### Articles

David Rhind, 'Keeping Politics Out of Statistics',  
*Public Finance*, August 5-18 2005, p.17

---

David Rhind, 'How to Achieve Public Trust in Official Statistics',  
*The Times*, 27 October 2005, p.72

---

Richard Alldritt, 'The Meaning of Trust',  
*RSS News*, 33(3) November 2005. pp.1-3

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Patricia Hodgson, 'The First Step in Restoring Public Trust in Statistics',  
*Financial Times*, 1 December 2005, p.23

### Presentations

*Raising the GSS profile*, GSS Conference, May 2005

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*Meeting the needs of users in the 21st Century*, National Statistics Open Day, September 2005

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*Government Statistical Service*, Assistant Statisticians Conference, May 2005

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*Review of Crime Statistics*, National Crime Recording Steering Group, September 2005

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*Review of Crime Statistics*, Crime and Justice Theme Working Group, October 2005

## Annex D: Code of Practice casework

The National Statistics Code of Practice sets out principles and practices that government departments and agencies should follow in producing and publishing official statistics. However, only a few parts of the present Code are of a kind that readily allow an independent judgement to be made about compliance.

Much of the Code is non-prescriptive and requires no specific evidence of compliance. Thus the evidence that does exist often relates only to the more detailed aspects, particularly those dealing with the public release of statistical information. The Statistics Commission plans to report on ways to strengthen and clarify the Code in 2006-07. Uncertainty over questions of interpretation is reflected in the nature of possible breaches that were drawn to our attention during the year.

The Commission has been notified by ONS of the following cases (not necessarily breaches of the Code) since April 2005:

- (i) The statistical first release of **Student Loans for Higher Education** in the UK was put on the website of the Student Loan Company, the producer, a day early. The document was not however easily accessible as links were not in place. The document was removed as soon as the breach was identified and the procedures will be reviewed.
- (ii) An individual in the Department of Health (DH) provided information to

the press on **NHS Workforce Statistics** in advance of publication. These statistics are not within the scope of National Statistics but are covered by release arrangements in the DH Code compliance statement. The Commission nonetheless regards the leak as inconsistent with the Code.

- (iii) **NHS Waiting List Statistics** for February 2005, due for publication on 8 April, were quoted in a press notice on waits for orthopaedic surgery on 5 April. The monthly waiting list statistics are not within the scope of National Statistics but are covered by release arrangements in the DH Code compliance statement. In future timetabling improvements will reduce the likelihood of inadvertent leaks of this kind.
- (iv) There was an apparently accidental inclusion of some summary findings from a statistical bulletin on **characteristics of low attaining pupils** on a DfES website ahead of publication in June 2005. There had been a lack of clarity in the

completion of documentation relating to the publication and staff had not been familiar with the protocols. The statistics were taken off the website when the mistake became apparent, and explanatory text was added. The Commission accepts that the inclusion was accidental.

- (v) **Additional commentary was included with the tax credits statistical release** of 23 December 2005 to explain a substantial increase in the number of awards to a certain type of household. The inclusion of explanatory commentary had been announced to the Statistics Commission by HM Revenue and Customs as it was felt that the increase was exceptional enough to warrant a special note for the benefit of users attempting to interpret the statistics. The Commission is content that this is not a breach of the Code.
- (vi) Officials at the Department for Work and Pensions were granted **extra pre-release access to Housing Benefit Review** on the ground that revisions due to improved methodology may have changed the department's view of progress against its PSA target for fraud and error. The Commission is concerned about the amount of pre-release access given within policy departments.
- (vii) **Energy Statistics** was **inadvertently put on the DTI website** in advance of the pre-announced release time. This is a minor breach of the Code.
- (viii) DEFRA officials were granted privileged early access to the **latest farm income figures** which had been inadvertently included in an internal briefing document. The Statistics Commission was content that DEFRA officials had recognised the mistake and taken the opportunity to review internal circulation processes.
- (ix) The Statistics Commission was approached by journalists seeking comments on a **Home Office first release of crime statistics** the day before official publication. We assume the journalists also approached others and discussed the figures with them. It became evident that an embargoed press notice containing the figures alongside ministerial comment had been circulated by the Home Office to the media the day before publication. As well as expressing concern about the Home Office's interpretation of the Code, the Commission questioned the efficacy of the embargo process and its impact on public trust.

## Annex E: Other issues considered by the Commission

In addition to our programme of research, the Commission addressed a range of further issues in the past year. Some of these were identified by the Commission itself, some were brought to our attention by users or producers of statistics and others were raised in the media. Here are some examples, which serve to illustrate the nature of our work.

### Statistical Advisory Bodies – the UK Experience

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Discussions between the European Parliament, Council and member states led to proposals for a new European statistical advisory committee. In September 2005 the Commission prepared a paper for Eurostat on the particular characteristics and challenges of the UK Statistics Commission as a contribution to thinking about the new European body.

### Mapping for statistical purposes

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The Commission believes that free and ready access to official statistics is in the public interest. Where geographical boundaries and place names provide a necessary context for these statistics, we also believe that these should be made freely available. To the extent that geographical information from government agencies is not currently freely available to users for this purpose, the Statistics Commission wants to see this matter explored and resolved.

### National Address Register

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Weaknesses in the address lists used in the 2001 Census contributed to a low response rate in certain areas. We have had discussions and correspondence with interested parties regarding the failure of ODPM initiatives to create definitive registers.

### Population projections and immigration

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The Commission was approached about a Home Office consultation document on the economic case for immigration. We contacted the Home Office, ONS and the Government Actuaries Department on issues on the presentation and methodology behind migration statistics and their use in population forecasts.

### NHS Information Centre

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The Commission was concerned to ensure that the public interest in official statistics was kept at the forefront of thinking as the new NHS Information Centre, and the related private-sector partnerships, was developed.

### Ambulance response times

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We raised concerns with the Department of Health and with ONS over ambulance response time statistics. There had been public criticism about inconsistency in the approach of trusts to determine when the 'clock starts' on ambulance response; particularly in relation to the use of response times in monitoring performance targets. We expect problems of this kind to be discussed fully in statistical releases.

### Health data comparability

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A number of concerns have been raised with us over the comparability of health performance data between the four UK administrations. We have discussed these issues with ONS and the head of profession for statistics in the Department of Health, the relevant National Statistics 'Theme Working Group', and the devolved administrations.

### Value added measures in school performance tables

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Concerns have been expressed by academic experts about the quality and presentation of value-added measures in school performance tables. Following discussions with DFES and Ofsted, we have concluded that statistical confidence intervals around school performance data are valuable to those who understand them. We would like to see this information, and findings drawn from it, made available and linked to performance tables.

### Government Output and Productivity

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We are keeping a watching brief on follow-up work to the Atkinson Review on measuring government output, and on the process of announcing and introducing the consequential changes into national accounts. The revisions made to measurement of government output in national accounts at the end of June for the 2005 Blue Book were non-controversial and had been pre-announced in detail a month beforehand. Other changes from the Atkinson recommendations could be

more controversial, eg the introduction of new quality adjustments to the measurement of output.

The Commission corresponded with the National Statistician about concerns over the timing of health output figures in relation to the Atkinson Review and press coverage. The chairman stressed the need for great care to be taken to explain both why any new estimates are being introduced and what level of interpretation the new estimates will stand.

### Drug Seizure and Offender Statistics

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The House of Commons Library expressed concern about the change in presentation, length and access to the Home Office publication *Seizures of Drugs in England and Wales, 2003*. The key issue was the adequacy of consultation with users ahead of significant changes to published outputs.

### Accession States Worker Registration Scheme

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The Association of Labour Providers raised concerns over the collection and use of statistics through the Accession Worker Registration Scheme. The secretariat concluded that the scheme itself is not a statistical system, but the limitations of the figures should be fully explained when they are published.

### Construction Statistics

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Following difficulties with the early estimates of construction output for GDP, DTI and ONS have reviewed the case for

transfer of constructions statistics from DTI to ONS. The review found that the responsibility should be moved. However budgetary constraints are preventing the transition from taking place. The Commission has expressed concern about lack of progress.

#### Public Expenditure Statistical Analyses (PESA)

The Commission was contacted regarding errors in country and regional data included in the Treasury's Public Expenditure Statistical Analyses (PESA). The Commission subsequently wrote to the Treasury about the issues.

#### Live Music Survey

The Department for Culture, Media and Sport (DCMS) has provided a table explaining its derivation of statistical information used in a press release from 25 August 2004 on the Live Music Survey. This followed concerns raised with the Commission. The Statistics Commission also contacted DCMS regarding the late rectification of an error and the lack of public acknowledgement of the error and suggested an independent statistical release on the survey.

#### Use of claimant count

Following previous correspondence with HMT on the use of claimant count in the Pre-Budget Report, the Commission's view is that the Labour Force Survey ought to be used as the source for measures of unemployment in the PBR and other public documents. The Commission wrote to the Treasury about this.

ACCOUNTS

2005-06



Statistics Commission Financial Statements  
For the year ended 31 March 2006

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## Management Commentary

### History

The Statistics Commission was established in June 2000 as part of the new arrangements for National Statistics. It is an advisory Non-Departmental Public Body, funded by grant in aid from HM Treasury's Request for Resources 1, and is independent of both Ministers and the producers of National Statistics. It has its own budget and is able to commission its own activities.

The Commission was set up on a non-statutory basis, but its role and responsibilities are set out in the Framework for National Statistics, published in June 2000.

### Going concern

In March 2006 HM Treasury published *Independence for Statistics: A Consultation Document*. This set out plans to create a statutory board with oversight of official statistics to replace the existing arrangements – under which there are non-executive members on the current Board of the Office for National Statistics, as well as independent members of the Statistics Commission – with a single Governing Board that embraces both sets of responsibilities. It is proposed that the role and responsibilities of the Commission will be subsumed within the new Board and that the Commission will be wound up once the new arrangements are in place. HM Treasury officials have confirmed that the Commission will not be wound up before 31 March 2007 and grant in aid for 2006-07 of £1.35 million has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### Aims and objectives

The Commission aims to ensure that decision-makers and the public can trust official statistics and that they meet the needs of users. The following objectives were adopted in pursuit of these aims:

#### Objective 1:

To develop our understanding of the diverse **needs of users** of official statistics, including those of Parliament and the public, and to make appropriate proposals to enhance the statistical service provided by government to users.

#### Objective 2:

In the light of the needs of users of statistics, to consider and make proposals relating to the **governance of official statistics** in the United Kingdom.

#### Objective 3:

To carry out the Commission's functions impartially and use resources efficiently, effectively and economically.

Further information on the strategy for 2005-06 is provided in Annex A of the Annual Report and in the Commission's Business Plan 2005-06 which is available on the website at [www.statscom.org.uk](http://www.statscom.org.uk).

### Performance

The Commission's Business Plan for 2005-06 outlined details of the major projects planned for the year. The Commission made significant progress on all these projects and published three major research reports as well as a range of smaller reports. A summary of the research undertaken during the year is detailed in Chapter 3 of the Annual Report. Details of performance against the individual projects planned for 2005-06 are in Annex C of the Annual Report together with a list of publications.

One of our projects was to assess the impact that the Commission itself had had on statistical work in government and to gauge how we were viewed by our various stakeholders. The main messages arising from this were to be more active in communication with external stakeholders and the media, and to take further steps to increase public trust in official statistics. Action on these findings has been incorporated in the Commission's Business Plan for 2006-07. Further details of our work with stakeholders during the year is outlined in Chapter 2 of the Annual Report.

### Funding & Results for the year

The Statistics Commission is funded by grant in aid from HM Treasury's Request for Resources 1. Grant in aid available for 2005-06 was £1.35 million. Total grant in aid provided for the year was £1,342,496.

### Future work

Chapter 4 of the Annual Report outlines the Commission's objectives and the main projects planned for 2006-07.

The Commission plans to undertake research in a number of areas including maximising use of taxation data, the use made of official statistics and examining the progress towards the 2011 census. The Commission will follow up the recommendations in its previous reports and take action to address issues raised in our survey of stakeholders. The Commission will also continue to pursue concerns raised by others. Further information is available in the Commission's Business Plan 2006-07 which is available on the website [www.statscom.org.uk](http://www.statscom.org.uk)

### The Commissioners

The following were Commissioners during the period ended 31 March 2006:

David Rhind (Chairman)  
 Sir Derek Wanless (Vice chairman)  
 Ian Beesley  
 Colette Bowe  
 Sir Kenneth Calman  
 Joly Dixon (from 1 February 2006)  
 Dame Patricia Hodgson (until 31 December 2005)  
 Janet Trewsdale  
 Martin Weale

Details of remuneration and appointment are contained in the Remuneration Report. Further information about individual commissioners is contained in Annex B of the Annual Report.

A register of Commissioners' interests is maintained by the Commission and is available for inspection on the Commission's website at [www.statscom.org.uk](http://www.statscom.org.uk)

## Management Commentary

### Chief Executive and Accounting Officer

Richard Alldritt is Chief Executive of the Commission. Further information is contained in Annex B of the Annual Report and the Remuneration Report. HM Treasury's principal Accounting Officer, the Permanent Secretary, has designated the Chief Executive as Accounting Officer of the Commission. His responsibilities as the Accounting Officer and for the Statistics Commission's system of internal control are set out on pages 55-58.

### Audit Committee

The audit committee is chaired by a Commissioner, Sir Derek Wanless. There are two other members, both external: John Gant CB, previously Finance Director of Inland Revenue; and Linda Peacock, Financial Controller, Finance & Resource Management, Department of Trade and Industry.

### Annual Accounts

These accounts have been prepared in a form directed by HM Treasury as set out in the accounts direction.

### External Audit

The Comptroller and Auditor General has agreed to be appointed as the auditor to the Statistics Commission. The audit fee for 2005-06 was £7,344.

The Accounting Officer confirms that:

- there is no relevant audit information of which the auditors are unaware
- he has taken all the steps considered necessary to ensure the auditors are aware of relevant audit information; and
- he has taken all the steps considered necessary to establish that the auditors are aware of the information.

## Management Commentary

### Payment of suppliers

HM Treasury processed the Commission's invoices on its behalf until 31 October 2005. HM Treasury's target is to make all payments not in dispute within 30 days or less of acceptance of the relevant goods and services, or the receipt of a legitimate invoice if that is later. For 2005-06 HM Treasury achieved a performance of 94.70% against this target for all invoices. Since 1 November 2005 the Commission has been responsible for making its own payments and for the period 1 November 2005 to 31 March 2006 it achieved a performance of 98.38% against the same target.

### Post balance sheet events

There are no post balance sheet events to report for the period ending 31 March 2006.

### Staff issues

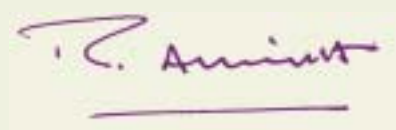
The Statistics Commission does not directly employ staff. At 31 March 2006 there were eleven secondees from other government departments and public bodies and one temporary member of staff. Given these circumstances, consultation and communication between staff and management take place directly and on an informal basis. Secondees remain subject to their parent organisation's terms and conditions of employment.

### Pensions

Staff pensions remain the responsibility of their parent organisations. The Statistics Commission is, therefore, exempt from any pension related liability. Further information is given in Note 1i of the annual accounts and the Remuneration Report.

### Equality and diversity

The Statistics Commission is committed to the principle of equality of opportunity and values diversity. The Commission opposes all forms of discrimination and promotes equality and fairness in its recruitment and retention of staff.



Richard Alldritt  
Chief Executive 3 July 2006

## Remuneration Report

### Remuneration Policy and Appointment

The Statistics Commission is a non-departmental public body sponsored by HM Treasury and was established on a non-statutory basis.

### Commissioners

The Chair and other Commissioners are appointed by the Minister for National Statistics. The level of remuneration is subject to review in the context of decisions taken by Ministers from time to time in relation to salaries of this kind.

Appointments to the Commission are made in open competition and in accordance with the Code of Practice of the Commissioner for Public Appointments.

### Staff

HM Treasury directed that the staff of the Statistics Commission will be on secondment from Civil Service Departments, and will be subject to levels of remuneration and terms and conditions of service applying in their parent Departments. The Statistics Commission has no delegated power to amend these terms and conditions.

Staff appointments are made through HM Treasury in accordance with the Civil Service Commissioners Recruitment Code which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Staff appointed from outside the Civil Service are loaned to, or placed on fixed term contract

by HM Treasury. Staff are then seconded to the Commission for periods of one year or more.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

### Salary and Pension Entitlements

The following sections provide details of the Commissioners and Chief Executive of the Commission:

#### Commissioners Remuneration

The Chairman is paid an annual fee of £28,000 (2004-05: £28,000) for 60 (2004-05: 60) days work and each of the Commissioners is paid an annual fee of £5,500 (2004-05: £5,500) for 20 (2004-05: 20) days work. Sir Derek Wanless was appointed Vice Chairman in July 2004 and is paid an annual fee of £8,250 for 30 days work each year. Until 31 March 2005 Commissioners were paid one month in arrears. From 1 April 2005 Commissioners were paid on the last day of the month. So for 2005/06 one additional payment appears in the accounts.

## Remuneration Report

Commissioners	2005-06	2004-05
	£	£
David Rhind (chairman)	30,333	28,000
Ian Beesley	5,958	4,125
Colette Bowe	5,958	5,500
Sir Kenneth Calman*	5,500	5,500
Joly Dixon (from 1 February 2006)	918	-
Dame Patricia Hodgson (until 31 December 2005)	4,583	5,500
Janet Trewsdale	5,958	5,500
Sir Derek Wanless (vice chairman)	8,938	7,562
Martin Weale*	5,500	5,500

\*The appointments of Sir Kenneth Calman and Martin Weale ended on 31 December 2005. The Financial Secretary to HM Treasury re-appointed them from 1 February 2006 for one year and two years respectively.

Remuneration is non-pensionable and the Commissioners received no benefits in kind during the year.

## Chief Executive's Remuneration and Pension

The Chief Executive's remuneration is as follows:

	2005-06		2004-05	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Richard Alldritt	70-75	38,500	70-75	37,600



## Remuneration Report

### Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Commission and thus recorded in these accounts.

### Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The chief executive received benefits in kind consisting of lodging allowance, travel costs and settlement of the related tax liability.

### Pension Benefits

Chief Executive						
	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV	Employee contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Richard Alldritt	30-35	2.0-2.5	558	409	35	3000

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

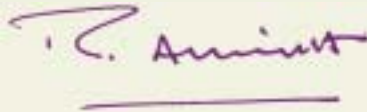
### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

### Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Richard Alldritt  
Chief Executive  
3 July 2006

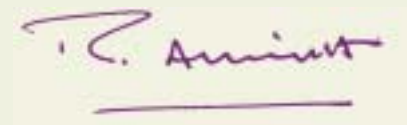
## Statement of the Commission's and the Accounting Officer's Responsibilities

Under paragraphs 31-35 of the Cabinet Office's *Guidance on Codes of Practice for Board Members of Public Bodies*, the Commission is responsible for ensuring propriety in its use of public funds and for the proper accounting for their use. On the authority of the Chancellor of the Exchequer, in his capacity as Minister for National Statistics, the Treasury has directed the Statistics Commission to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Statistics Commission's affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing these accounts the Statistics Commission is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Statistics Commission will continue in operation.

The Accounting Officer of HM Treasury has designated the Chief Executive of the Statistics Commission as its Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.



Richard Alldritt  
Chief Executive  
3 July 2006

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*. The chairman of the Statistics Commission is appointed by the Minister for National Statistics and is personally responsible for probity in the conduct of the Commission's affairs. The chairman also has responsibility for providing effective strategic leadership on the formulation of the Commission's strategy for discharging its duties, including for encouraging high standards of regularity and propriety and promoting the efficient and effective use of resources. The Minister for National Statistics also appoints ordinary members of the Commission. The Commissioners including the chairman have corporate responsibility for ensuring that the Commission complies with statutory or administrative requirements for the use of public funds.

Commissioners are also responsible for:

- ensuring that high standards of corporate governance are observed at all times
- establishing the overall strategic direction of the Commission within the policy and resources framework agreed with the Minister for National Statistics
- ensuring that the Commission operates within the Framework for National Statistics and the terms of the Management Statement and Financial

Memorandum, and in accordance with any other conditions relating to use of public funds.

To help Commissioners fulfil their responsibilities the Commission has produced a statement of all matters which should be reported to Commissioners.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Statement on Internal Control

### Capacity to handle risk

The Commissioners have ultimate responsibility for deciding how much risk can be tolerated and for managing the Commission's risks, in particular for

- conveying their attitude towards risk management to the Chief Executive;
- making decisions which affect the Commission's risk profile or exposure; and
- reviewing at least annually the Commission's risk strategy and the risk register.

The Commissioners have delegated to the Chief Executive the day-to-day responsibility for managing risk within the Commission. The Chief Executive, as informed by senior managers, is responsible for assessing and reporting risk to the Commissioners and the Audit Committee. Commissioners and staff are committed to delivering a robust corporate governance and risk management framework appropriate to the size and type of the organisation. Key staff have received risk awareness and risk management training.

### The risk and control framework

The Commission has a risk management strategy which follows the principles of the guidance issued by HM Treasury, National Audit Office and the Office of Government Commerce. The approach developed is appropriate to the particular size and circumstances of the Commission.

The identification and evaluation of risks is undertaken by holding a risk management workshop twice a year, attended by key staff, at which all the operations and activities of the Commission in relation to its objectives are considered and associated risks identified and reviewed. Risks are evaluated by assessing the likelihood and impact of the risk occurring and the risks then categorised according to whether they are high, medium or low. Risk appetites are assessed on a risk by risk basis on the degree to which the Commission should accept inherent risk; should attempt to reduce risk through mitigation and control measures; or maximise opportunity through risk taking. This judgement is reached taking into account the Commission's general approach to risk and the attitude of the Commissioners to risk management. The Commission considers its risk priorities to be building links with stakeholders, research and strategy and internal management processes.

Each risk is assessed for the most appropriate way to manage it and responsibility for action assigned to individuals. Risks identified are recorded in a risk register together with the Commission's evaluation and planned action. This helps senior staff in reviewing and updating the business plan to ensure resources are directed to areas of greatest risk. At the lower level staff have included action for addressing risks in their work objectives and include risk assessment in project proposals.

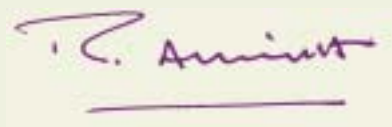
## Statement on Internal Control

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Commissioners and the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The main processes which have been applied in maintaining and reviewing the effectiveness of the system of internal control were:

- Commissioners approved the Business Plan and monitored progress at their meetings held six times per annum. The Chief Executive submitted a progress report to each Commission meeting. The Commissioners received periodic reports from the Chairman of the audit committee.
- The audit committee met three times during the year and examined all internal and external audit reports and reviewed the risk management strategy and progress on maintaining the risk register and addressing the risks identified.
- Two risk management workshops were held during the year attended by key members of staff, during which staff re-evaluated the risks likely to threaten the achievement of the Commission's objectives and reviewed progress on the control strategies. Progress on, and changes to the risk register were reviewed by the audit committee.
- Regular reports from staff to the Chief Executive on the steps they took to manage risks in their areas of responsibility including progress reports on key projects.
- The Commission's internal audit service operates to Government Internal Audit Standards. The Head of Internal Audit submitted regular reports to the Chief Executive, and the audit committee, including an independent opinion on the adequacy and effectiveness of the Commission's system of internal control, together with recommendations for improvements.
- A report from the National Audit Office to the Chief Executive on the outcome of its annual audit of the accounts.



Richard Alldritt  
Chief Executive  
3 July 2006



## The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Statistics Commission for the year ended 31 March 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Commission, the Accounting Officer and the Auditor

The Commission and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Treasury directions and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission's and the Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Treasury directions. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion,

the Annual Report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 56 to 58 reflects the Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's report, links with stakeholders, reports and research, the forward look and Annexes included within the Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Treasury directions, of the state of the Statistics Commission's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Treasury directions; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



John Bourn  
Comptroller and Auditor General  
July 2006

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Income and Expenditure Account For the Year Ended 31 March 2006

	Note	2006		2005	
		£	£	£	£
<b>Income</b>					
Grant in aid	2	1,338,819		1,332,996	
Other operating income	3	61,226		136,695	
		<b>1,400,045</b>		<b>1,469,691</b>	
<b>Expenditure</b>					
Staff costs	4	626,498		554,041	
Commissioners' fees	5	73,646		67,187	
Other administration costs	6	491,581		818,522	
Depreciation	7	57,656		63,246	
Deficit on disposal of fixed assets		-		73,349	
Cost of capital charge	12	4,686		2,263	
		<b>1,254,067</b>		<b>1,578,608</b>	
Retained surplus/(deficit) transferred to/(from) General Fund	12	<b>145,978</b>		<b>(108,917)</b>	
<i>The notes on pages 65 to 76 form part of these accounts</i>					

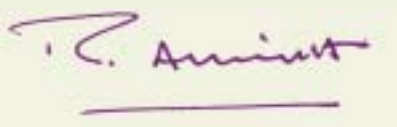
## Statement of Total Recognised Gains and Losses For the Year Ended 31 March 2006

		2006	2005
	Note	£	£
Retained surplus/(deficit) for the year		<b>145,978</b>	(108,917)
Unrealised surplus on the revaluation of tangible fixed assets	12	<b>1,854</b>	84
Total recognised gains/(losses) for the year		<b>147,832</b>	(108,833)
<i>The notes on pages 65 to 76 form part of these accounts</i>			

## Balance Sheet

### As at 31 March 2006

		2006		2005	
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		151,561		206,107
<b>Current assets</b>					
Debtors	8	246,575		736,439	
Cash at bank and in hand	9	20,165		2,169	
		266,740		738,608	
Creditors: amounts falling due within one year	10	(231,218)		(853,750)	
Net current assets/(liabilities)			35,522		(115,142)
Creditors: amounts falling due after more than one year	11		(4,062)		(4,062)
Net assets			183,021		86,903
<b>Reserves</b>					
General fund	12		31,462		(119,202)
Government grant reserve	12		151,559		206,105
			183,021		86,903



Richard Alldritt  
Chief Executive  
3 July 2006

*The notes on pages 65 to 76 form part of these accounts*

## Cash Flow Statement For the Year Ended 31 March 2006

		2006	2005
	Note	£	£
Net cash inflow/(outflow) from operating activities	13	<b>17,996</b>	(28,492)
Capital expenditure			
Payments to acquire tangible fixed assets		<b>(3,677)</b>	(240,981)
Net cash inflow/(outflow) before financing		<b>14,319</b>	(269,473)
Financing			
Grant in aid for capital expenditure		<b>3,677</b>	261,655
Increase/(decrease) in cash and cash equivalents	9	<b>17,996</b>	(7,818)

*The notes on pages 65 to 76 form part of these accounts*

## Notes to the Accounts

### 1. Accounting policies

---

#### a. Basis of preparation

These financial statements have been prepared in accordance with the HM Treasury Accounts Direction and HM Treasury's guidance Government Financial Reporting Manual. The particular accounting policies adopted by the Statistics Commission are described below. They have been applied consistently in dealing with items considered material in relation to these financial statements.

Grant in aid for 2006-07 of £1.35 million has already been approved. HM Treasury have proposed to wind up the Commission in their Consultation document, Independence for Statistics, issued on 22 March 2006. However, they have confirmed that the Commission will not be wound up before 31 March 2007. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### b. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Acts and the accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate.

#### c. Grant in aid and government grant reserve

The Statistics Commission is financed by grant in aid from the Treasury's Request for Resources 1.

Grant in aid applied to revenue is accounted for on an accruals basis to match payments made during the year that will be funded by grant in aid, but for which a claim had not been submitted at the year end.

A proportion of the grant in aid received, equal to expenditure on fixed asset acquisitions in the year, is taken to the government grant reserve at the end of the financial year. Each year, an amount equal to the depreciation charge on the fixed assets acquired through grant in aid, and any deficit on their revaluation in excess of the balance on the revaluation reserve, will be released from the government grant reserve to the Income and Expenditure account.

#### d. Tangible fixed assets

Individual tangible fixed assets with a purchase cost in excess of £500 are capitalised and are revalued each year using appropriate indices to their net current replacement cost. All assets acquired on an individual or grouped basis (for similar items or those used together) for ongoing use falling above this threshold will be shown as tangible fixed assets.

#### e. Depreciation

Depreciation is provided on a straight-line basis, calculated on the revalued amounts to write off assets, less any



estimated residual balance, over their estimated useful lives. The useful lives of tangible fixed assets have been estimated as follows:

IT equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years
Leasehold improvements	Over lease term

A full year's charge for depreciation is provided in the year of acquisition and none is provided in the year of disposal.

**f. Operating leases**

Rental payable under operating leases is charged to the income and expenditure account on a straight-line basis over the term of the lease. The Statistics Commission's commitments are disclosed in note 14.

**g. Notional charges**

A notional cost of capital is calculated at 3.5% (2004-05 – 3.5%) on average net assets, excluding the Paymaster General bank balance. Where there are net liabilities (excluding the Paymaster General bank balance) a cost of capital credit arises. Notional costs are charged to the income and expenditure account and credited as a movement on the general fund.

**h. Value added tax**

Value added tax (VAT) on purchases is not recoverable, hence is charged to the Income and Expenditure account included under the heading relevant to the type of expenditure.

**i. Pension arrangements**

The Commission is a non-statutory organisation and cannot directly employ staff. So everyone other than temporary staff is seconded to the Commission. The parent organisations of staff seconded to the Commission invoice the Commission for the pension and social security costs of the individual secondees. Most past and present Commission staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

## Notes to the Accounts

**2. Grant in aid**

	31-Mar-06	31-Mar-05
	£	£
Grant receivable from Request for Resources 1	1,342,496	1,594,651
Transfer to government grant reserve in respect of fixed asset additions	(3,677)	(261,655)
	<b>1,338,819</b>	<b>1,332,996</b>

**3. Other operating income**

	31-Mar-06	31-Mar-05
	£	£
Transfer from government grant reserve in respect of depreciation charge	57,656	63,246
Transfer from government grant reserve in respect of deficits on revaluation	2,421	100
Transfer from government grant reserve in respect of deficit on disposal of fixed assets	-	73,349
Bank interest on current account	1,149	-
	<b>61,226</b>	<b>136,695</b>

**4. Staff costs**

	31-Mar-06	31-Mar-05
	£	£
a) Staff costs for the year comprised:		
Wages and salaries (staff on secondment)	483,018	447,833
Wages and salaries (temporary staff)	4,956	-
Social security costs	45,062	42,020
Other pension costs	93,462	64,188
	<b>626,498</b>	<b>554,041</b>

### Staff costs continued

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, private office allowances and the monetary value of benefits in kind.

#### b. Average number of staff

The average number of persons contracted to work for the Commission during the year was as follows:

	31-Mar-06	31-Mar-05
	Number	Number
Senior staff on secondment	1	1
Other staff on secondment	10	10
Temporary staff	-	-
Total	11	11

### 5. Commissioners' fees

For details of fees paid to individual Commissioners see the Remuneration Report.

Total fees for the year were as follows;

	31-Mar-06	31-Mar-05
	£	£
Total Commissioner fees	73,646	67,187

In addition, expenses amounting to £7,793 (2004-05: £3,755) were reimbursed to the Commissioners.

**6. Other administration costs**

	31-Mar-06	31-Mar-05
	£	£
Rent, rates and service charges	<b>136,371</b>	362,295
Research costs	<b>192,407</b>	268,430
IT current	<b>41,813</b>	45,816
Consultants and professionals	<b>10,239</b>	20,060
HM Treasury notional costs	-	13,940
Training	<b>9,036</b>	12,391
Printing and stationery	<b>13,497</b>	16,907
Internal audit	<b>7,873</b>	10,300
Recruitment	<b>7,776</b>	13,033
External auditors' fees	<b>7,344</b>	7,050
Commissioners' expenses	<b>17,603</b>	7,952
Cleaning	<b>5,298</b>	6,308
Relocation expenses	<b>423</b>	5,002
Telephones	<b>5,879</b>	4,679
Photocopying	<b>3,003</b>	3,601
Postage	<b>4,574</b>	5,436
Publicity	<b>6,215</b>	5,317
Travel	<b>9,781</b>	3,847
Other costs (eg bank charges, electricity, health and safety, etc)	<b>12,449</b>	6,158
	<b>491,581</b>	818,522
Other costs include £2,421 (2004-05: £100) for the downward revaluation of tangible fixed assets.		

## 7. Tangible fixed assets

	IT Equipment	Office Equipment	Furniture & Fittings	Leasehold & Improvements	Total
	£	£	£	£	£
<b>Valuation</b>					
At 1 April 2005	45,953	3,579	66,151	186,411	302,094
Additions	3,677	-	-	-	3,677
Disposals	-	-	-	-	-
Revaluation	(6,154)	-	345	2,761	(3,048)
<b>At 31 March 2006</b>	<b>43,476</b>	<b>3,579</b>	<b>66,496</b>	<b>189,172</b>	<b>302,723</b>
<b>Depreciation</b>					
At 1 April 2005	22,720	3,579	32,406	37,282	95,987
Charge for year	11,192	-	8,630	37,834	57,656
Withdrawn	-	-	-	-	-
Revaluation	(3,733)	-	139	1,113	(2,481)
<b>At 31 March 2006</b>	<b>30,179</b>	<b>3,579</b>	<b>41,175</b>	<b>76,229</b>	<b>151,162</b>
<b>Net book value</b>					
<b>At 31 March 2006</b>	<b>13,297</b>	<b>-</b>	<b>25,321</b>	<b>112,943</b>	<b>151,561</b>
At 31 March 2005	23,233	-	33,745	149,129	206,107

## 8) Debtors

	31-Mar-06	31-Mar-05
	£	£
Accrued income – Grant in aid (see Note 1c)	189,697	717,893
Prepayments	55,018	16,686
Other debtors	1,860	1,860
	<b>246,575</b>	<b>736,439</b>

## Notes to the Accounts

**9. Cash at bank and in hand**

	31-Mar-06	31-Mar-05
	£	£
At 1 April	2,169	9,987
Increase/(decrease) in cash in the year	17,996	(7,818)
At 31 March	20,165	2,169
Bank account at Office of Paymaster General	-	2,169
Commercial bank account	20,165	-
	<b>20,165</b>	<b>2,169</b>

**10. Creditors: Amounts falling due within one year**

	31-Mar-06	31-Mar-05
	£	£
Amount payable to HM Treasury	93,852	605,202
Trade creditors	44,615	130,111
Other creditors	10,666	10,666
Accruals	82,085	107,771
	<b>231,218</b>	<b>853,750</b>

**11. Creditors: Amounts falling due after more than one year**

	31-Mar-06	31-Mar-05
	£	£
Other creditors	4,062	4,062

Other creditors relate to the operating lease incentive for a rent-free period.  
This amount will be released to the Income and Expenditure account as follows:

	31-Mar-06	31-Mar-05
	£	£
Within 1 to 2 years	4,062	4,062

**12. Reserves**

	<b>Government Grant Reserve</b>	<b>General Fund</b>	<b>Total</b>
	£	£	£
At 1 April 2005	206,105	(119,202)	86,903
Surplus for the year	-	145,978	145,978
HM Treasury notional costs	-	-	-
Reversal of cost of capital	-	4,686	4,686
Surplus on revaluation of fixed assets	1,854	-	1,854
Deficit on revaluation of fixed assets	(2,421)	-	(2,421)
Grant for fixed assets additions	3,677	-	3,677
Depreciation transferred to income and expenditure account	(57,656)	-	(57,656)
<b>At 31 March 2006</b>	<b>151,559</b>	<b>31,462</b>	<b>183,021</b>



### 13. Reconciliation of operating surplus/(deficit) to net cash outflow from operating activities

	31-Mar-06	31-Mar-05
	£	£
Operating surplus/(deficit)	145,978	(108,917)
<b>Adjustment for non-cash transactions:</b>		
Depreciation	57,656	63,246
Deficit on disposal of fixed assets	-	73,349
Notional support costs	-	13,940
Cost of capital	4,686	2,263
Deficit on revaluation of fixed assets	2,421	100
Release from government grant reserve	(60,077)	(136,695)
<b>Adjustment for movements in working capital other than cash:</b>		
(Decrease)/increase in creditors	(622,532)	358,682
Decrease/(increase) in debtors	489,864	(294,460)
Net cash inflow/(outflow) from operating activities	17,996	(28,492)

#### 14. Commitments under operating leases

	31-Mar- 06	31-Mar-05
	£	£
The annual commitment under operating leases were as follows:		
<b>Land and buildings</b>		
Lease expiring within one year	-	-
Lease expiring after one year but not more than 5 years	<b>106,661</b>	106,661
	<b>106,661</b>	106,661

#### 15. Contingent liabilities

The Statistics Commission had no contingent liabilities at 31 March 2006. (2005: None)

#### 16. Capital and other commitments

In August 2005 the Statistics Commission appointed Matrix Research and Consultancy to carry out a review of Crime Statistics at a total cost of £78,832 excluding VAT of which £62,000 excluding VAT was paid during 2005-06.

The Statistics Commission had no capital commitments at 31 March 2006.

## 17. Related party transactions

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During the year, HM Treasury provided total grant in aid of £1,342,496 (2004-05: £1,594,651).

Any costs incurred by the Statistics Commission are disbursed by HM Treasury on the Commission's behalf. The Statistics Commission reimburses HM Treasury for these payments on a quarterly basis.

Until 31 October 2005 the Statistics Commission received finance services from HM Treasury, for which charges of £5,875 were made. (2004-05: notional charge £13,940)

During the year, other than the receipt of fees, expenses and salaries as disclosed in Notes 4 and 5, none of the Commission members, senior managers or other related parties has undertaken any material transactions with the Statistics Commission.

## 18. Financial instruments

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Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures. Because of the largely non-trading nature of its activities and the way it is financed, the Commission is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has limited powers to borrow or invest funds, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Commission in undertaking its activities.

### Liquidity risk

The Commission's net revenue resource requirements are largely funded by grant in aid from its sponsor department. The capital expenditure is also financed through grant in aid. The Commission is therefore not exposed to significant liquidity risks.

### Interest rate risk

The Commission is not exposed to any interest rate risk.

### Foreign currency risk

The Commission's exposure to foreign currency risk is not currently significant.

## 19. Intra-government balances

	Debtors: amounts falling due within one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£	£	£
Balances with HM Treasury	189,697	93,852	-
Balances with other government departments	-	102,256	-
Balances with bodies external to government	56,877	35,110	4,062
<b>At 31 March 2006</b>	<b>246,574</b>	<b>231,218</b>	<b>4,062</b>
Balances with HM Treasury	717,893	605,202	-
Balances with other government departments	-	85,255	-
Balances with bodies external to government	18,546	163,293	4,062
<b>At 31 March 2005</b>	<b>736,439</b>	<b>853,750</b>	<b>4,062</b>





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